GOVERNMENT OF INDIA
FINANCE
LOK SABHA

STARRED QUESTION NO:194
ANSWERED ON:01.08.2003
STATE FINANCE CORPORATIONS
BHAWANA GAWALI (PATIL)

Will the Minister of FINANCE be pleased to state:

(a) whether the Government have any plan to allow Reserve Bank of India to have a supervisory ambit role on SFCs (State Financial Corporations);

(b) if so, whether the Government have also any plan to form a National Level Regulatory Authority to regulate the entire operation of all SFCs in the country;

(c) if so, the details thereof; and

(d) the action taken by the Government for overall restructuring/recapitalisation of SFCs according to the recommendations of Gupta Committee?

Answer

MINISTER OF FINANCE (SHRI JASWANT SINGH)

(a) to (d) A statement is placed on the Table of the House.

STATEMENT PLACED ON THE TABLE OF LOK SABHA IN REPLY TO STARRED QUESTION NO.194 FOR 1 AUGUST REGARDING STATE FINANCE CORPORATIONS TABLED BY KUMARI BHAVANA PUNDLIKRAO GAWALI.

(a) to (d) There is no plan for Reserve Bank of India (RBI) to have a supervisory role on State Financial Corporations (SFCs) or to form a National Level Regulatory Authority for SFCs. The G.P. Gupta Committee made a number of recommendations including recapitalisation of SFCs. The Central Govt. held consultations with RBI, Industrial Development Bank of India (IDBI) and Sma Industries Development Bank of India (SIDBI) in regard to recapitalisation of SFCs. RBI/Central Govt. are not shareholders in SFC Since SFCs are State entities. it has not been considered expedient by RBI to provide any funds for recapitalisation of SFCs. IDB and SIDBI expressed their inability to share the cost of recapitalisation due to their difficult financial position. The State Governments were, therefore, requested that in order to attract long-term finance from FIs, SFCs should improve recovery of NPAs and re-establish their viability.